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Governor Rick Snyder
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SNYDER

Gov. Snyder, Attorney General Schuette announce that progress has been made on U.P. energy solution

Solution aims to provide relief for citizens, businesses and communities; second quarter 2015 being targeted for final agreements

Tuesday, Jan. 13, 2015

LANSING, Mich. – A series of agreements that lay the groundwork for elimination of a costly utility rate payment for Upper Peninsula families and job providers, while providing the region with long-term, cost-effective energy reliability and ensuring the U.P.'s energy independence were announced today by Gov. Rick Snyder, Attorney General Bill Schuette, Wisconsin Energy Corp. (We Energies), Upper Peninsula Power Co. (UPPCO), Invenergy, and Cliffs Natural Resources Inc. (Cliffs).

The proposed solutions meet two key goals for policymakers: 1) protecting U.P. ratepayers from years of costly System Support Resource (SSR) payments for the Presque Isle Power Plant in Marquette, and 2) providing replacement electric generation in the U.P. to avoid a likely federal mandate to pay half a billion dollars or more to remain dependent on out-of-state coal plants.

"This is a critical development for the Upper Peninsula and our entire state. I commend all involved parties for their commitment to finding a solution and thank them for their many efforts in reaching this accord," Snyder said. "The solution these agreements advance ensures reliability, rids the U.P. of years of unaffordable charges, improves the environment, and most of all gives the U.P. the power and ability to adapt to the future."

"Our primary goal is to protect U.P. families from unreasonable rate increases to the greatest extent possible," Schuette said. "We remain committed to vigorously opposing any short-term rate increases due to the costs of maintaining the Presque Isle Power Plant, but this agreement will help avoid long-term burdens on U.P. ratepayers while increasing energy reliability and the opportunity for future economic growth."

While the effect on different U.P. electric customers will vary widely, they will see a reduction on their bills after the SSR payments cease, which likely will be in July.

Without protection from SSR payments, residents could be asked to pay approximately \$150 more a year, and businesses could pay tens of thousands of dollars – or even millions of dollars – a year, depending on their location and energy usage.

The four agreements in principle announced today are as follows:

- **Agreement in principle between UPPCO and We Energies.** The electric utility businesses now owned by We Energies and Integrys (doing business as Wisconsin Public Service Corp.), including the Presque Isle Power Plant, would be sold to UPPCO, meaning a single U.P.-based corporation would provide electric service to a majority of the U.P. UPPCO indicated that it will "step into" existing rates, except that the SSR will be terminated.

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- **Agreement in principle between UPPCO and Cliffs.** Upon acquisition of the Presque Isle Power Plant, which is expected no later than July, the SSR payments would be terminated and UPPCO would not seek an SSR. Cliffs would purchase a significant majority of its power from UPPCO until the Presque Isle Power Plant's retirement, anticipated in 2020 due to new federal air emission requirements impacting coal generators statewide.
- **Agreement in principle between Cliffs and Invenergy.** Invenergy would build, own and operate a new natural gas-powered, combined heat and power facility, located on Cliffs' site to supply electricity and steam to Cliffs and excess energy to other local utilities. Initially dubbed the "U.P. Cogen Project," the proposed facility is planned to commence operation in advance of the retirement of the Presque Isle Power Plant, and is expected to resolve long-term reliability concerns by providing clean, cost-effective and highly efficient generating capacity serving the energy needs of Cliffs and having some excess power available for other utilities.
- **Agreement regarding settlement between We Energies, Gov. Snyder, Attorney General Schuette, the Michigan Public Service Commission (MPSC) staff, and Cliffs Natural Resources.** The parties have agreed to notify both the Federal Energy Regulatory Commission and the MPSC of their position of no objection to the merger of Wisconsin Energy and Integrys Energy Group, conditional upon the above agreements being approved.

While all of the agreements have a number of contingencies and will be subject to further discussion and refinement, the governor praised all parties for their commitment to hammering out tough issues and said all parties' hard work and efforts mean that he is "personally very optimistic" about the ability to bring these transactions to fruition and get the required approvals from federal and state decision-makers.

"UPPCO is delighted to be working with key stakeholders to find a solution that benefits the U.P.," said Barbara Siehr, UPPCO CEO. "Expansion of UPPCO is consistent with our business strategy and with our commitment to the U.P. and Michigan in general. While substantial work remains and the issues we need to tackle are complex, we look forward to working in good faith with Cliffs and Wisconsin Energy Corp. to engineer a solution that works for all parties."

"We appreciate the support of Gov. Snyder in achieving the framework of a comprehensive deal with all parties involved, which preserves the competitiveness and long-term viability of Cliffs' business in the state of Michigan," said Lourenco Goncalves, Cliffs chairman, president and CEO. "As the biggest employer and biggest consumer of electricity in the Upper Peninsula with our Empire and Tilden mines, we reaffirm our commitment to the state and to the U.P., and look forward to finalizing the remaining details in cooperation with all the work group participants."

"Invenergy is pleased to partner with Cliffs and the state of Michigan to develop, build and operate a new clean-energy facility in the Upper Peninsula, adding to our clean energy investments in Michigan," said Michael Polsky, Invenergy's president and CEO. "We look forward to completing the final details on this project and to working with all stakeholders to realize this long-term, cost-effective solution for the state."

"With the leadership of the governor's office and the good-faith efforts of all the parties in the work group, we've developed a framework that I believe will benefit customers in the U.P. for decades to come. The agreements announced today are a tremendous step forward," said Gale Klappa, chairman and chief executive of We Energies.

Collectively, the state of Michigan, We Energies, UPPCO, Invenergy and Cliffs are committed to working together and engaging other businesses and community stakeholders to refine cost-effective, near-term and long-term solutions to the electricity issues facing the U.P.

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